

***pacific*national**

ESG REPORT FY2021



www.pacificnational.com.au

As Australia's largest private rail freight company, and a provider of essential services during the COVID-19 pandemic, Pacific National is proudly doing its part by hauling the goods and commodities that are essential to keeping our nation's economy functioning. We work **24 hours a day, seven days a week, 365 days of the year**, to operate the railway services which link critical supply chains right across the breadth and width of our vast country.

Operating
24/7

365
days a year

3,249
people

65+
locations

~560
active
locomotives



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ABOUT THIS REPORT

Pacific National Holdings Pty Limited and its subsidiaries (referred to as **Pacific National**) is pleased to share our ESG Report for the financial year ending 30 June 2021 (**FY21**). This report covers ESG-related aspects of Pacific National's operations and activities during that year.

ESG performance is a priority for Pacific National and an area of growing importance for all our stakeholders. This is our second ESG Report, in which we are pleased to share our inaugural ESG Strategy and present our current approach to

disclosure on these topics. Where relevant, the content of this ESG Report has been informed by the Global Reporting Initiative's (GRI) Reporting Standards.

ESG



ENVIRONMENTAL



SOCIAL



GOVERNANCE

ACKNOWLEDGEMENT OF COUNTRY

Pacific National traverses some of Australia's most remote locations and we are proud of our connection to this land and nation – it is what makes us who we are and defines us as a business. We would like to honour this connection by acknowledging and paying respect to past, present, and future Traditional Custodians and Elders of this nation and the continuation of cultural, spiritual, and educational practices of Aboriginal and Torres Strait Islander peoples.



MESSAGE FROM THE CHAIRMAN



On behalf of the board of Australia's largest private rail freight company, I'm delighted to share with you Pacific National's FY2021 ESG Report.

This is Pacific National's second ESG Report, in which we are pleased to share our inaugural ESG Strategy. Our company has rapidly advanced from just reporting ESG performance metrics to a comprehensive strategy focused on achieving specific goals, including in the key areas of health and safety, inclusion and diversity, and emissions.

The ESG Strategy is the central pillar in delivering what matters for our people, customers, and shareholders.

In terms of health and safety, I'm immensely proud of Pacific National's performance and resilience over the course of the coronavirus pandemic. At no stage did any of our more than 2,300 frontline workforce contract coronavirus during this year, an impressive record considering Pacific National operates more than 780 weekly services out of 65 terminals located throughout Australia's mainland. This is a great testament to the professionalism and dedication of our employees, not to mention the scale and precision of our health and safety procedures and protocols.

During the pandemic, Pacific National also led the sector in advising federal and state governments on safe and practical cross border travel rules and COVID testing regimes associated with daily essential rail freight services.

Pacific National plays a critical role in the Australian logistics sector's long-term transition towards net zero, by offering our more than 400 intermodal freight customers immediate and strong ESG benefits, notably by providing them the option to transport their goods over rail, which helps reduce traffic congestion, road accidents and fatalities, as well as vehicle emissions relative to road transportation alternatives.

To enhance our offering, Pacific National has committed \$297 million to procure 50 new fuel-efficient freight locomotives from UGL, with the first of these new locomotives to be delivered in late 2023. The first of their kind in Australia, as well as having improved fuel-efficiency, the new locomotives will have lower emissions. Once this fleet of new locomotives is rolled out, Pacific National's emissions reduction will equate to 15,000 tonnes each year with a CO2 reduction of 300 tonnes per locomotive each year.

The acquisition of these state-of-the-art locomotives underpins Pacific National's growth plans for our intermodal containerised business, while also aligning with our significant investment program to establish Australia's most extensive national network of freight terminals.

This year, Pacific National announced plans to invest in the development of major intermodal terminals at Little River (Victoria) and Toowoomba (Queensland). These facilities are strategically aligned with both our existing terminal network and the future route of the federal government Melbourne-Brisbane Inland Rail – currently the nation's largest infrastructure project.

In recent years, Pacific National delivered inland regional Australia's largest intermodal terminal at Parkes (Central West, New South Wales) and acquired Acacia Ridge Terminal (South East Queensland), both located on the future Inland Rail. Pacific National is the best placed rail freight operator to derive the full benefits of this future 'corridor of commerce'.

Investing in new and improved rollingstock and terminal infrastructure in our intermodal business is central to Pacific National's ESG strategy to transition towards a net zero emission economy and to meet heightened customer demand for containerised rail services.

Real assets are important, but our people are critical. In terms of Pacific National's inclusion and diversity program, significant progress was made in our ongoing recruitment drive to attract and train more female employees in frontline operations. In FY21, 42 per cent of Pacific National's 45 trainee drivers were female (19 in total), a material improvement in gender balance in this historically male-dominated industry.

Russell Smith
Chairman

MESSAGE FROM THE CEO



Pacific National has a rich history dating back to 1855, and we take great pride in having played an integral part in Australia's rail history. Over the decades, we have had to respond to many changes, and this has helped us to build the resilience we needed to navigate the recent social and economic impacts associated with the coronavirus pandemic.

Following an extremely challenging 2020, Australia's national supply chain faced further disruptive shocks in 2021 due to outbreaks of the highly infectious Delta variant of COVID. Despite this, Pacific National and its people have continued to move Australia's economy, delivering goods to Australian communities when it was most important.

During the COVID crisis, and associated lockdowns and restrictions, rail freight was critical in ensuring the supply chain remained intact and that essential goods and commodities were delivered safely, efficiently, and sustainably to and from ports, mines, supermarket distribution centres, steel mills, and grain facilities.

Our purpose at Pacific National is to deliver what matters for our people, customers, and shareholders. Our company excelled at this task over the last financial year. We increased our intermodal (containerised) services to meet surging customer demand as road and sea freight operations suffered disruptions and delays. We placed safety above all else and saw the number of positive COVID cases among Pacific National frontline workers remain at nil for the year. This reflected the dedication and professionalism of our work force and the robustness of workplace health and safety protocols at Pacific National.

During this period of intense activity, I'm proud to report Pacific National achieved a 27.5 percent reduction in Signal Passed At Danger events. Our people worked safely so everyone could go home safely every day.

Our company has emerged stronger and more resilient, and we will continue to build this operational resilience, so we can deliver a sustainable future for Pacific National. A comprehensive ESG strategy underpins Pacific National's continued success and our appeal to both customers, employees, investors, and the community. Our ambition is to grow and mature our ESG position.

We are also growing our national footprint of freight terminals – including through the successful acquisition of Acacia Ridge Terminal, in South East Queensland – and we are investing in 50 new fuel efficient locomotives. These investments are strategically aligned to the Commonwealth Inland Rail project. They also build climate resilience into our business and enable Pacific National to implement long-term strategies to futureproof our operations.

We have developed a plan to significantly grow our intermodal business over the next four years. Whilst the growth in containerised freight movements will, in the short-term, increase our own emissions and emissions intensity, there is an expected positive impact at a national level from moving freight off road and onto rail. Our plans acknowledge this, and we will invest accordingly.

Whilst Pacific National is planning for a net zero emissions future, we continue to believe that high quality Australian coal will continue to play a critical role in the world's future economic development and energy generation, noting the need for appropriate transition across global markets. We are striving to reduce carbon emissions in the broader supply chain, and in our business.

As the largest rail hauler of bulk grain on the eastern seaboard, our company is also deeply embedded in the fabric of regional Australia, actively supporting primary producers and exporters. We contribute to those communities, as they contribute to the ongoing success of Pacific National.

Having joined Pacific National this year, I am proud to have led our company through a program to focus on the values we want and need, to prosper in a rapidly changing post-pandemic world, while at the same time respecting our rich rail heritage.

This led to adoption of the Pacific National Approach – or PNA. Our PNA is central to everything we do at Pacific National – it is our DNA and the essence of Pacific National's social licence to operate – how we engage with colleagues, customers, and the community.

A key component of our PNA is a talented and diverse workforce, which is supported by various initiatives throughout the company, including:

- WomenConnect, our mentoring program (now in its third year);
- active recognition that our LGBTQI+ colleagues strengthen our culture; and
- committed targets to increase participation of Aboriginal and Torres Strait Islander Peoples within our company.

Our history, our ambitions, and values, combined with Pacific National's operational excellence and extensive real assets, give us the foundation upon which to mature our ESG strategy, and be Australia's most trusted and respected logistics partner.

Paul Scurrah
Chief Executive Officer



ABOUT **PACIFIC NATIONAL**

What we do

As Australia's largest private rail freight operator, Pacific National operates 24 hours a day, seven days a week, 365 days a year. With a broad customer base across mainland Australia operating in diverse industries, Pacific National transports a mix of general freight cargo, import and export goods, and bulk commodities, which are reflective of the broader Australian economy. Our business is organised into two operating units supported by shared corporate functions.



Freight (Intermodal and Bulk)

Pacific National's Freight business unit is Australia's leading provider of long-distance rail transport services for containerised and bulk freight. We haul a wide variety of products which are used within Australia and around the world, including construction materials, agricultural products, refrigerated goods, waste, minerals and more.

Pacific National is the leading intermodal and steel freight operator in Australia. We are also eastern Australia's largest transporter of grain and other regional export products. To support our geographically diverse activities, we have a nationwide network of terminals and freight yards supporting Australia's supply chain.



Coal

Pacific National's Coal business unit transports both metallurgical and thermal coal from mine to port, connecting regional coalfields throughout Queensland and New South Wales with global export markets. The metallurgical coal we transport is used, alongside iron ore, as a key input to produce steel that is consumed globally; whilst the thermal coal we haul primarily supports energy generation across developed and developing Asia.

Whilst the energy transition is expected to lead to future shifts in coal consumption at a global level, in the near-term coal transport logistics will continue to be a core function at Pacific National. Our operations are integrated into regional communities throughout Queensland and New South Wales.

WHERE PACIFIC NATIONAL OPERATES

National view



~560 active locos



~11,700 active wagons



>3,249 FTE staff headcount

Annual haulage

INTERMODAL:

881,000 TEU*

*TEU - twenty foot equivalent unit

COAL:

128.6M tonnes

BULK AND OTHER FREIGHT:

27.6M tonnes



— Intermodal — Bulk — Coal — Port

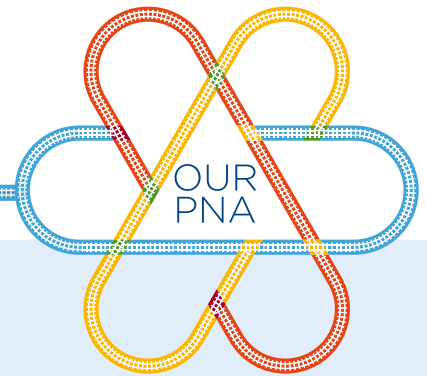




How We Operate – Our PNA

The Pacific National Approach – our PNA – provides clear direction about what is important to us, what we stand for and how we behave. Our purpose, philosophy, vision, priorities, and values guide every decision we make at Pacific National and underpin our approach to our ESG initiatives.

In late FY21, Pacific National undertook a comprehensive review of our approach to how we conduct business with all stakeholders leading to the adoption of our Pacific National Approach. Our PNA is central to everything we do at Pacific National – it is our DNA and the essence of Pacific National.



OUR PURPOSE

We deliver what matters.
For our people, customers,
and shareholders.

OUR PHILOSOPHY

We care more

OUR VISION

**Australia's most trusted and
respected logistics partner**

OUR PRIORITIES

 Safety Above all else. Home safely every day.	 People and Leadership Inspiring people, leadership excellence and a respectful culture.	 Customers Innovating and succeeding together.	 Community Enhancing and caring for the communities we operate in and through.	 Financial Success Controlling our destiny and earning the right to grow.
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OUR VALUES



Make It Simple

We reduce complexity.



Share More

We create a learning
environment through
storytelling and embrace
and share diverse
experiences.



Kindness

We are thoughtful and
show respect in all
circumstances.



Gratitude

We show appreciation
and express our thanks.



Curiosity

We embrace curiosity at
all levels to benefit the
safety, wellbeing, and
continuous improvement
of our workplace.



Own It

We take responsibility,
we take action, we
own our successes and
our mistakes.

OUR FOUNDATIONS

Footprints and Assets | Heritage | Operational Excellence

Governance

Good corporate governance is critical to the long-term sustainable success of Pacific National. The Board is responsible for providing strategic guidance, governance, and effective oversight of management and the performance of Pacific National. Our governance systems and processes extend our capabilities beyond bare compliance, to acting reasonably in the context of Pacific National's risk profile. This includes our pursuit to be a responsible, sustainable rail freight operator.

Board and committees

Pacific National's Board of Directors is accountable for ESG oversight and addresses ESG as part of monitoring our organisational performance. Directors are appointed by the consortium members that own Pacific National, comprising some of the world's most experienced infrastructure investors, who are familiar with sustainable investment across the globe. Our Board is well-equipped to deliberate on the wide range of ESG-related issues encountered by Pacific National. During FY21, the Board was actively engaged in the development of Pacific National's ESG Strategy with the support of the relevant Board sub-committees.

The Board currently has the following sub-committees:

- **Audit and Risk:** Responsible for assisting the Board in the oversight of the integrity and quality of Pacific National's financial information, internal controls and processes; performance and independence of the company's external auditor and performance of the internal audit function; and the effectiveness of the enterprise risk management framework, including ESG topics and associated risks.
- **Health, Safety, and Environment:** Assists the Board in fulfilling its responsibilities in relation to the health, safety and wellbeing of our employees, contractors and visitors; rail safety performance and compliance; environmental, climate and energy strategies; overseeing and monitoring ESG reporting activities; and monitoring community engagement and investment activities.
- **Remuneration and Nomination:** Responsible for providing recommendations to the Board on the organisation's compensation strategy including remuneration, nomination and succession planning; recruitment and retention policies; diversity and inclusion objectives and incentives to drive performance behaviour throughout the enterprise, including Executive and senior management incentives associated with delivery of ESG initiatives.

Management and execution

The Executive team, led by the Chief Executive Officer, develops, and implements Pacific National's broader corporate strategy, as well as attends to the day-to-day management of operations. Accordingly, the Chief Executive Officer has primary responsibility for Pacific National's ESG Strategy.

To drive accountability, we have assigned Executive sponsorship for implementation of our ESG Strategy, and execution of our tactical action plan in support of that strategy. Further, we have a cross functional ESG team to drive action and collaboration across Pacific National in delivery of our ESG initiatives. Our existing project delivery frameworks and governance structures support ESG initiative owners to participate in the management of, and decisions regarding, investment practices for all ESG-related activities.

Risk management

Overseen by the Audit and Risk Committee, our enterprise risk management framework helps to identify relevant ESG risk considerations using a materiality-based approach, including climate related threats and opportunities.

This framework also enables Pacific National to identify and mitigate emerging risks, to support effective and informed decision making throughout our business.

The system comprises several components that enable risk to be identified, assessed and managed effectively. The objectives of our risk management framework are to:

- develop and implement a risk management system that enables effective management of risk within Pacific National;

- ensure that the right information is making it to the right people at the right time so the most effective decisions can be made; and
- support the effective delivery of the Pacific National strategic plan.

Performance monitoring

Our ESG performance is managed and measured against selected targets and strategic objectives. This includes through our corporate scorecard, which facilitates appropriate incentives for the Executive team and broader workforce to deliver on Pacific National's ESG priorities.

Conduct

Effective day-to-day governance at Pacific National is managed through various policies including our Code of Conduct, Supplier Code of Conduct, Whistleblower, Compliance, Conflicts of Interest, Fraud and Corruption, and various People & Culture policies. These documents are the foundational policies and standards that govern our approach to conducting business and provide a framework for our commitment to a transparent, fair, risk- aware culture.



PACIFIC NATIONAL'S ESG STRATEGY

ESG ambition

Our inaugural ESG Report for FY20 showcased the work we had begun across a broad range of material ESG focus areas. As we mature and develop our ESG reporting capabilities and as global and domestic economies transition towards a more sustainable, low carbon future, our ESG ambition must also evolve so that we can continue to create value for our employees, customers, shareholders, and the communities in which we operate. At the heart of this approach is our philosophy that **we care more**, combined with a commitment to create long-term value for all our stakeholders.

Developing Pacific National's ESG Strategy, embedding it into our business practices and operating model was a key imperative for FY21. We developed a five-year strategic plan that aligns with our organisational vision and provides a roadmap to becoming a more sustainable business consistent with our ESG ambition.

Our ESG Strategy provides Pacific National with the framework to identify, understand, and respond to ESG topics in support of our overall purpose **to deliver what matters**. These ESG topics were first identified through our materiality assessment conducted in FY20. We are committed to undertaking our next assessment in FY22 to ensure that what matters remains the focus of our ESG Strategy. We will look outside our organisation to ensure that we continually benchmark ourselves against industry peers, and that we strive to emulate best practice.



United Nations Sustainable Development Goals (UNSDG)

During development of our ESG Strategy we considered the UNSDG and identified a number of the goals aligned to our business and our stakeholders interests.



We maintain a rigorous commitment to the **health and wellbeing of our employees, contractors, and communities** through the ongoing delivery of our Health, Safety and Environment strategic plan.



We are promoting gender equality by **striving for equal opportunity and representation of women** at all levels of leadership and decision-making at Pacific National.



We are promoting decent work and economic growth by enabling the movement of the resources, goods, products and materials that **keep Australia's economy, businesses and households on track**. We are committed to continue our contribution to regional Australia through economic opportunities, employment and sustainable growth.



We are taking tangible action to **modernise and upgrade our locomotives, sites and rail infrastructure** to ensure we have (and maintain) sustainable and fit-for-purpose operations. Procuring renewable energy for sites, improving the climate resilience of our terminals, and investigating options to upgrade our light vehicle fleet to EVs.



We are contributing to responsible consumption and production by beginning to **integrate the principles of sustainable procurement and purchasing information into our procurement management process**. We strive to continually improve our environmental performance and are reviewing the impact of our reliance on diesel as a key source of our energy requirements.



We are tackling climate change by integrating climate change measures such as **carbon emissions reduction**, into our overall strategic planning, helping to strengthen our future operational resilience. We recognise our role in a value chain where coal still plays a significant part. We have committed to adapt to the climate change transition and will continue to work on the key drivers of our carbon footprint and reduce our operational emissions intensity (Scope 1 and 2)

ESG Pillars

There are three fundamental pillars to our ESG Strategy:

1. Operating responsibly –

Our people and the environment and communities in which we operate are integral to our operations. In this context, we strive to conduct our business in a way that cares more for our stakeholders and minimises our environmental impact.

2. Driving enduring prosperity –

As an organisation with a significant regional presence, we are committed to enhancing and caring for the communities in which we operate. We will engage with and invest in those communities to support and sustain their long-term prosperity.

3. Futureproofing our services –

We deliver what matters to our people, customers, and stakeholders. We are committed to continuing to service those needs as they evolve, particularly as the economy transitions to a lower carbon future. We will strive to reduce the carbon emissions of our business and to enable the reduction of carbon emissions in the broader supply chain. We will build climate resilience into our business and implement sustainable long-term strategies to futureproof our operations.

Our ambition is to grow and mature our ESG position through a sustainability-led transformation, continually building on our three ESG pillars to deliver better environmental outcomes, build greater operational resilience and deliver sustainable prosperity to all stakeholders.

During FY22 we will develop and implement key ESG initiatives across the business to deliver on our commitments under each of our pillars, whilst baselining our key metrics, developing targets to focus our efforts and tracking our performance against key ESG performance indicators.

ESG Strategy on a page

Our ESG Strategy, and its pillars, are supported by commitments we expect will drive outcomes aligned with our ESG ambition.

Caring for our people means valuing their safety, prioritising their wellbeing, and fostering a talented, inclusive, and diverse workforce with meaningful career development, ensuring above all else, everyone goes home safely every day.

Minimising our environmental impact means reducing the environmental impact of our operations, caring more for our environment as we transition to a lower carbon future.

Enhancing community resilience means continuing to contribute to regional Australian businesses and employment, supporting community grassroots organisations through community grants and local procurement.

Being an actor in the transition means supporting efforts to transform and decarbonise the rail sector, both through advocacy and direct involvement, and by driving a modal shift to rail freight.

Servicing our customers' needs means providing them with an exceptional level of service, which is safe, reliable, and efficient; delivering to our customers what matters and ensuring we continue to enhance our advantage over road transport to become Australia's most trusted and respected logistics partner.

Decarbonising our operations and building climate resilience means understanding and adapting to the risks and opportunities posed by climate change, including working to reduce our total carbon footprint.

Our ambition for this inaugural Strategy, is to lift our ESG approach towards building and implementing an effective ESG Strategy, providing a defined set of commitments over a 3-to-5-year timeframe allowing us to develop and mature. This ESG Plan delivers a balance to the short-term pressures, with longer-term opportunities to deliver over time, operational resilience and long-term sustainability. This strategy provides the framework to investigate, develop and drive initiatives and frame future disclosures in a more coherent and strategic way to create longer term value for all stakeholders whilst reducing risk.



Materiality

Material topics are those significant to Pacific National in terms of importance to key stakeholders and potential impact on our business operations.

FY20's Materiality Assessment

To identify material topics relevant to Pacific National, in FY20 Pacific National conducted a materiality assessment with participation from key Executive leadership team members and the Chief Executive Officer.

As part of our ESG Strategy development in FY21, these material topics were revisited and confirmed as relevant and material to our business and our stakeholders. In FY22 we will conduct another materiality assessment with both internal and external stakeholders and continue to mature our ability to capture relevant ESG data and information to further increase transparency. As part of our continuous review in FY22, we will also determine the frequency required for further materiality assessments to inform and update our ESG Strategy in future years.

As such, the relevant ESG issues will evolve alongside our business operations and our stakeholder interests. Our focus and therefore our ESG Strategy will continue to be refined and mature in response to these internal and external drivers.

Material topics

When revisiting the material topics, we identified in FY20, we considered that the following continued to be material topics for FY21:

Health, safety and well-being of our employees, contractors, suppliers, and communities

Social licence to operate including how we build and maintain ongoing acceptance of our business operations, and trust in our organisation within the broader community

Community engagement and investment, including an engagement strategy with our communities

Rail's sustainability advantage as an efficient, environmentally, and socially sustainable mode of freight transport

Environmental impacts including emissions, waste, dust and noise, and compliance with our environmental obligations

Technological innovation delivering regional connectivity between more sustainable cities and rail infrastructure networks

Climate change and the energy transition impacts on our business, including key markets (energy transition), business resilience (physical risks) and Pacific National's operational GHG emissions

Inclusion and Diversity within our workforce

Talent attraction and retention, including Pacific National's role as a regional employer

Modern slavery and how we work to identify and respond to modern slavery risks in our operations and supply chains

Corporate governance, values and culture, and ensuring the right level of transparency

Engagement with shareholders on ESG matters

Government policy and regulation and the impact of increasing and sustained regulation on our business

Customer service and providing an efficient and reliable operation for our customers

These material topics have been integrated into each of our three core ESG Strategy Pillars and the vast majority align with the UNSDGs associated most closely with our business.

OPERATING RESPONSIBLY

OUR COMMITMENT

Recognising that our people, the environment and communities in which we operate are integral to our operations, we strive to conduct our business in a way that cares more for our stakeholders and minimises our environmental impact.

Pacific National's COVID Response

From the outset of the coronavirus pandemic, we have maintained three key objectives:

1. Keep our people and communities safe and protect their health;
2. Keep trains running and support the essential distribution of freight across Australia; and
3. Learn and grow as a business from a once in a generation crisis.

Throughout FY21 we continued to adapt our flexible working solutions and controls in response to the coronavirus pandemic. We worked closely with our employees, our customers and with Government agencies to establish support mechanisms, including a comprehensive COVID Safe plan and mental health support for our workforce. Pacific National provided input into State Government decision making and worked with stakeholders to support the broader freight industry. We are grateful for the cooperation of the agencies we have dealt with throughout the year.

After a relatively stable period at the beginning of 2021, the Delta variant outbreak had a significant impact on the community with the rapid emergence of COVID clusters across Australia. Pacific National continued to support our employees providing timely communications, and specific interventions to keep personnel safe, so that we could sustainably continue our essential operations.

Our systems and processes were constantly tested and proved to be robust, enabling early intervention and support for our essential workers and office staff. The proactive response by all employees was exceptional in a challenging environment and resulted in no reported COVID cases at Pacific National during FY21.

Pacific National supports the Federal Government vaccination rollout program and has provided employees with guidance and support to understand the program details and facts about vaccinations. In FY22, Pacific National launched a vaccination incentive program for our workforce including payment for frontline employees who achieved full vaccination.

As a result of the challenges faced by Pacific National during this pandemic, we have seen the resilience of our people, and what is truly possible. Many of the fundamental processes developed during this time are now a part of our business-as-usual approach. We continue to leverage our new capabilities right across the company, including a greater use of flexible working arrangements and technology. We are extremely appreciative of the perseverance of all our employees during this period and acknowledge their efforts to keep our workplace COVID free, operating and delivering what matters.



Caring for our people

We care deeply about the safety and wellbeing of our people and by ensuring we put safety above all else everyone can return home safely every day. Throughout our business we strive to foster a diverse, inclusive, and talented workforce where everyone feels valued and supported. Our PNA philosophy that **we care more**, underpins everything we do and how we conduct ourselves, every day.

We recognise that an inclusive and diverse workforce translates to competitive advantage, and utilising diverse skills and talents is vital to Pacific National's continued success. We are committed to recruiting and retaining a diverse range of people, with diverse skills, experiences, and backgrounds to ensure optimal creativity, flexibility and productivity within our workforce.



Progress we have made to deliver on our commitments

Health and safety

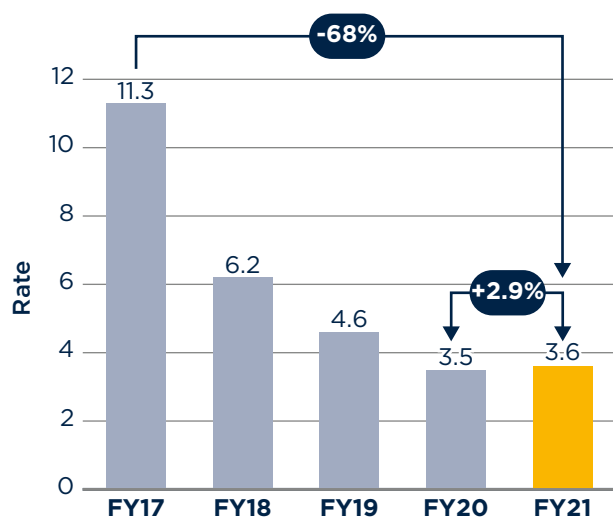
In FY21 we further embedded our Health, Safety and Environment (**HSE**) strategic plan, underpinned by our Critical Risk Management program and Brilliant at the Basics (**B@TB**) initiative.

The B@TB initiative is aimed at arming our leaders with the skills and knowledge to lead safely, build a culture of care and ultimately avoid preventable injuries. By ensuring that our leaders and all employees become brilliant at the basics of safety through coaching and mentoring conversations, every employee and stakeholder knows the priority we place on safety.

We have continued the implementation of our Critical Risk Management program, which has supported a step change in risk control standardisation, leader verifications in the field and common language creating focussed improvement, including in Signal Passed at Danger (**SPAD**) prevention.

As a result of these ongoing programs we have seen a cultural shift. Although our Recordable Injury Frequency Rate (RIFR) increased marginally in FY21, we importantly delivered a 28% reduction in SPAD events compared with FY20, and over the past 5 years we have seen a positive trend in our core safety metrics with a 35% reduction in SPAD events, and most notably, a 68% reduction in RIFR.

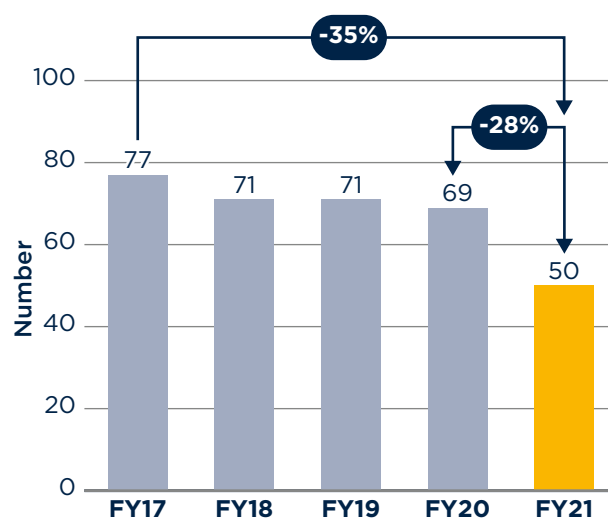
Figure 1: RIFR



Recordable Injury Frequency Rate

Our focus on injury reduction is based on our philosophy that we care more. We have implemented education programs that address behavioural controls and utilise fundamental risk management processes to support our employees to work safely. In addition, our leaders not only engage in Critical Control Verifications (**CCVs**), but also engage with team members in the field to address safety concerns via safety engagements. Our focus on injury reduction has created a clear emphasis on preventing slips and trips, strains and sprains and injuries caused by line of fire events.

Figure 2: SPAD Results



SPAD Prevention

Pivotal to the significant reduction of SPAD incidents has been the formation, in 2019, of our SPAD working group. This group has continued to operate throughout this reporting period standardising controls to capture factors leading to SPADs. In FY21 to further support this working group, a full time SPAD Prevention Manager was appointed to oversee the implementation and continuous improvement of controls. Significant resources have been allocated to the development of in-cab behaviours, including risk triggered commentary driving.

We also continue to explore and partner with other stakeholders to develop technologies that will one day eliminate SPADs. Our work with the Australian Rail Track Corporation (**ARTC**), enables Pacific National to run trains between Port Augusta and Whyalla with an Advanced Train Management System (**ATMS**) capable of controlling locomotives to prevent train movement outside of authorised pathways.

A focus on **critical risk** and disciplined approach to **verification**, is delivering:



Downward trend for Significant Incidents



Challenging current practices to deliver a **safe and consistent approach** to core activities



Robust actions to ensure improvements are practicable and sustainable



Struck by rollingstock



Rail collision



Struck by vehicle



Lifting operations



Contact with electricity



Hazardous substances



Vehicle collision



Uncontrolled release of energy



Fall from height



Confined space

Critical control verification reset

Pacific National launched our critical risk management framework early in 2020 with a focus on verification of the critical controls required to prevent a fatal or other serious outcomes.

Our Top 10 Critical Risks

As part of our review and to drive continuous improvement, we identified the opportunity to conduct a reset during 2021 to further define the requirements and objectives of CCVs. The reset leveraged the commitments made regarding infield time by:

- Developing a simple coaching tool that defines the core elements of a CCV;
- Every leader undertook at least one coaching activity with a HSE coach (and later other competent leaders); and
- Track coaching of leaders until all are competent in the fundamentals of the process.

The HSE team engaged 98% of the identified leadership team (across a 4-month period) in targeted coaching sessions to reset the requirement for conducting disciplined CCVs. The reset has delivered a material reduction in Significant Incidents by:

- Applying a disciplined focus on verifications;
- Challenging current practices; and
- Initiating and closing out actions to improve both behavioural and system controls.

Further coaching is planned throughout 2022 whilst continuing to utilise the Brilliant at the Basics vehicle to build leader capability.



Mental health and wellbeing

Safeguarding our employees' mental health and wellbeing is critical to our overall commitment to care for our people. Recognising that employees in the rail freight industry, especially train crews, are impacted by interactions with trains in rail corridors, self-harm events and level crossing collisions, Pacific National has developed a specific care program for our employees. This program engages leaders and health care professionals to formally support train crew members who have been impacted by traumatic events. While the program is in its infancy, the benefits and response from those impacted have been positive. We will continue to develop the program over time.

During 2021, an organisation wide Health and Wellbeing calendar was published providing health and wellbeing information and initiatives that target the identified health risks in our business – such as mental health, cardiac risk and obesity. A calendar of events for 2022 will be developed which builds upon the experiences of 2021 and will include joint initiatives with our People and Culture team and the Peer Connect mental health first aiders.



Inclusion and diversity

We want everyone at Pacific National to feel that they belong. At Pacific National we understand that strength lies in difference, and we believe that diversity contributes to better performance, decision-making and outcomes. We recognise that an inclusive and diverse workforce translates to competitive advantage, and that utilising these diverse skills and talents is vital to our continued success.

Pacific National embraces diversity in ethnicity, gender, language, age, sexual orientation, religion, socio-economic status, physical and mental ability, experience, and education. We believe in treating all people with respect and dignity. We recognise that each employee brings their own unique capabilities, experiences, and characteristics to their work, and we want our employees to feel safe, celebrated and valued for those differences.

To ensure an increased focus on delivering a step change in inclusion and diversity (I&D) in 2021 and beyond, we introduced a revised governance structure to strengthen our I&D reach, embed the concept of shared accountability for I&D and leverage our diversity champions across the business. This revised structure maintains the Chief Executive Officer as sponsor and incorporates a Senior Leaders Council of executives and functional group members plus six working group councils comprising nominated employees from across the workforce. The Senior Leaders Council guides our I&D strategy and the implementation of initiatives. This Council is also responsible for reporting and making recommendations to the Board on progress against these initiatives; monitoring and evaluating their implementation and ensuring that programs are progressing successfully.

Over 60 employees volunteered their time and effort to six working groups that represent our diverse workforce, to implement initiatives and advocate for a diverse and inclusive culture at Pacific National. Collectively, they celebrate I&D, and by creating opportunities for employees to provide feedback, they are leading the way in building a culture of belonging. Outlined below are some of the achievements from a selection of our I&D working groups:

- Aboriginal & Torres Strait Islander Peoples (ATSI):** In FY21 we submitted our draft *Reflect* Reconciliation Action Plan (**RAP**) to Reconciliation Australia and broadened our acknowledgement of country signage project that began in 2019 to include works in progress at sites in Sydney, Brisbane, Nebo in central Queensland and Greta in New South Wales.
- Culture & Linguistics:** In FY21 we developed a detailed action plan to promote an inclusive culture through social events, organisation-wide training, storytelling and recommendations for recruitment, procurement, policy and diversity data.
- LGBTQI+:** The Pride in PN network supports the LGBTQI+ community and aims to create a safe and inclusive workplace by creating a culture where all employees can bring their authentic selves to work. In FY21 we undertook numerous initiatives including organisation-wide promotion of LGBTQI+ celebration days, including Mardi Gras, Pride month, International Day Against Homophobia, Biphobia, Intersexism and Transphobia (**IDAHOBIT**) and Wear it Purple Day, and we also developed a rainbow version of the PN logo, pride pins and related collateral.

Inclusion & Diversity working groups

Stream	Objective
 Aboriginal & Torres Strait Islander Peoples	Strengthen our relationships, respect, and employment and supplier opportunities for Aboriginal and Torres Strait Islander communities through the launch of a Reconciliation Action Plan
 Culture & Linguistics	Recognise that diversity is a strength. Embrace all cultures and languages and the new perspectives and insight they provide.
 Disability	Remove barriers in processes and environments so that people of all abilities, including those with visible and invisible disabilities, can meaningfully engage in work at Pacific National
 Gender	Challenge stereotypes for all genders and remove barriers to achieve gender balance across Pacific National
 LGBTQI+	Raise awareness to the challenges faced by individuals that identify as LGBTQI+ and remove barriers to inclusion
 Life Ages and Stages	Enable and support employees to do their best work at any age or stage in their life



Gender balance success through driver training schools

In FY21, 42% of Pacific National's 45 trainee drivers were female (19 in total) – a clear improvement in gender balance in our historically male-dominated industry.

We refreshed our approach to recruitment to appeal to a more diverse pool of candidates. This included updating our recruitment advertising to better appeal to female applicants and reviewing our processes for the pre-screening interview and assessment centres. Current female applicants (pending pre-check outcomes and offers) through our recruitment process for trainee driver roles total 26 out of 44 applicants – 59% female.

Overall, we are experiencing promising gender balance outcomes and are enjoying some great success stories with women joining Pacific National through our entry level recruitment campaigns.

“In my first 12 months at Pacific National I have grown professionally and personally. I am proud to say I work for Pacific National. I have a little girl at home who is very proud to tell her friends that her mum is a train driver. It's exciting to know that I am inspiring the next generation of girls to think about a railway career.”

Maddison Shanahan,

Locomotive Driver Under Instruction,
Greta NSW

How Pacific National will deliver on future commitments

We are proud of our recent achievements which have made Pacific National a more safer and inclusive and diverse employer in FY21. From these foundations we are confident we will be able to accelerate our impact in the key areas of focus in the coming years.

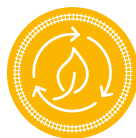
Building on the progress made, we will continue to focus on:

- further development and embedding our B@TB program,
- development and implementation of standardised controls for our top critical risks and
- commencing training of employees in crisis and emergency management practices.

In addition, we will also enhance employee training to drive down injury rates.

By embedding the People and Culture lifecycle, we are aiming to deliver a seamless employee experience from onboarding through to offboarding. Beyond FY22, we will work on aligning our People and Culture policy and governance framework to industry best practice and will build on our rewards and recognition program.

We will also develop and drive a broader I&D strategy and continue working to remove barriers to inclusion for minority groups.



Minimising our environmental impact

At Pacific National, we are committed to reducing the impact of our operations and strive to continually improve our environmental performance across all aspects of our business.

Progress we have made to deliver on our commitments

Tracking business specific metrics

Pacific National has committed to measure and track key environmental performance metrics for the business. We know this will drive continuous improvement and demonstrate our success in minimising our environmental impact to both our internal and external stakeholders.

Our current environmental performance metrics include our scope 1 and scope 2 emissions, with scope 3 emissions to be accounted for in our next reporting period. Pacific National's emission intensity performance indicator – Gross Tonne Kilometre (**GTK**) Emissions Intensity – is a key performance measure for our business in FY22. We have also committed to improving and tracking our waste management, along with our water consumption metrics to ensure that we have greater visibility enabling us to improve our environmental performance in these key areas.

Elevating awareness, and simplifying processes

In FY21, we developed and introduced an environmental checklist used by onsite employees to focus our attention and efforts on environmental risks and hazards. Our team of environmental advisors coached and mentored key members of our workforce on how to utilise the checklist, and how to ensure that environmental risks and hazards are appropriately identified and managed throughout our operations. We will continue to implement this initiative across all our operational sites in FY22.

During the reporting period, a significant change was implemented in how we as a business, and as an industry are regulated in the state of New South Wales. All operators of rollingstock, as well as rail infrastructure managers in New South Wales, are now required to conduct their operations in accordance with mandated Environmental Protection Licences administered by the State Environment Protection Authority. Throughout FY21 we worked to embed relevant licence obligations within our operating model and will continue throughout FY22 to further develop systems and processes to manage these obligations.

As part of our HSE strategic plan, we continue to review and rationalise various environmental management documents with a view to ensure currency with operational practices, regulatory changes, and community expectations. During FY22, we are to develop and implement an environmental compliance training pack for all front-line leaders. This will assist our leaders in developing a deeper understanding of their specific environmental obligations at each of their sites.

Responding to community concerns

Pacific National has a community complaint reporting system that allows members of the public to raise and share concerns regarding our operations. We also engage with local community and resident groups in areas in which we have operations to understand and work with communities to address issues as they arise.

As our cities grow and expand, we are seeing community and residential density increase around what were formerly remote rail networks and terminals. In addition, established communities are being re-developed with new residents moving into our neighbourhoods, unaware of the presence of their well-established industrial neighbours. Consequently, in FY21, there was a 13% increase in community complaints received by Pacific National as compared with the prior year. Pacific National is committed to living and working compatibly within our communities. We value our social licence to operate and our role in the community is central to our PNA.

In response to concerns about noise emissions from several of our operational sites, Pacific National has introduced operational noise management plans, and environment and community education and awareness training packs for selected sites. This is aimed at building a greater awareness of local communities and our potential impacts on their general amenity. In FY22, we will extend this training across our entire operations through our B@TB program. We also continue to partner with rail infrastructure managers and other rollingstock operators to address known “hotspot” areas of concern within our communities, particularly in relation to wheel squeal and pass-by noise from our operations.

How Pacific National will deliver on future commitments

In line with our HSE strategic plan, in FY22 we will expand our environment and community education and awareness training to all our leaders across the business. This initiative will provide our workforce with the essential knowledge and tools to deliver better environmental and community performance outcomes for Pacific National.

Although waste generation is a relatively small element of our operations, we recognise that it is fundamental to a strong environmental management program. In FY22 as part of our ESG strategy we will begin to identify and develop sustainable waste avoidance, minimisation, and recovery options to inform the development of a whole of business approach for waste management.

DRIVING ENDURING PROSPERITY

OUR COMMITMENT

As an organisation with a significant regional presence throughout Australia, we are committed to engaging with and investing in our local communities to support and sustain their long-term prosperity.



Enhancing community resilience

At Pacific National, we are committed to maintaining and enhancing our social licence to operate by enriching and caring for the communities we operate in. We will continue to support marginalised and minority populations, particularly throughout regional Australia.

Through our focus on strategic procurement practices, we commit to enhancing our local and ethical procurement practises, ensuring that where possible, we are supporting regional businesses where appropriate and will investigate further procurement opportunities with businesses owned by Aboriginal and Torres Strait Islander Peoples.

We are committed to preventing and, where appropriate, remediating human rights impacts in our operations. This includes acting against modern slavery in our operations and supply chain and delivering on our Modern Slavery Action Plan.

Progress we have made to deliver on our commitments

Modern Slavery

In December 2020, Pacific National published its first Modern Slavery Statement developed in accordance with the *Modern Slavery Act 2018* (Cth).

We acknowledge the complexities around addressing modern slavery and that to develop a clear picture of actual and potential human rights risks in any supply chain presents a significant challenge. Our ongoing engagement with stakeholders to identify high risk environments and risk indicators for suppliers, including products and services supplied and where they operate, has built a more meaningful understanding of Pacific National's suppliers over the past reporting year. Reflecting on our commitment to reduce the risk of modern slavery in our business and supply chains, we continue to drive accountability through our modern slavery action plan by building sustainable partnerships with our stakeholders.

Charitable initiatives and foundations

The nature of our operations means we interact with communities across the length and breadth of Australia. Our presence in the regional communities is significant, with 59% of the workforce based in regional areas of Australia. We aim to give back to the communities that support our business. Our charitable contributions for FY21 supported 13 charities and invested more than \$250,000 in local communities via voluntary employee contributions. We are incredibly proud of our workforce who continue to support charitable initiatives despite the difficult conditions posed by the COVID pandemic.

To enable Pacific National to measure and manage our social impact more effectively, we have joined the Business for Societal Impact (B4SI) network.

The B4SI framework is reflective of the GRI standard, and is regarded as the global standard in measuring and managing a company's social impact. It is our aspiration to use this network to lead and shape the way we deliver impact and investment in our communities.



We continued our proud association with both the Westpac Rescue Helicopter in New South Wales, and the RACQ Rescue Helicopter in Queensland, supporting vital emergency services for the community.

Pacific National is a strong supporter of the TrackSAFE Foundation, a charity focused on preventing suicides, reducing incidents and injuries on the rail network, improving trauma management and improving the mental health and wellbeing of rail employees. Established by the Australasian Railway Association and UGL in 2012, it is Australia's only harm prevention charity focused on reducing deaths, injuries and near misses on the rail network. Pacific National has had the privilege of appointing a board member of TrackSAFE since 2012.

TrackSAFE works to improve the wellbeing of rail employees, by supporting the following key initiatives, services, and events:

- **Rail R U Ok? Day** – providing individuals in the rail sector with the tools and confidence to check-in year-round and have an ongoing conversation with someone at work who might be struggling.
- **Rail Safety Week** – an annual community awareness week held in Australia and New Zealand, designed to engage the community in safe rail practices, including improved road safety at rail level crossings.
- **Trauma Management Framework and Training** – provides a best practice approach, including training, to managing trauma in the rail industry and thereby minimising the risk of adverse mental health outcomes.

Community supply partners

Our ATSI employee network advocates for our employees and members of our communities who identify as ATSI Peoples. With the support of this network, in FY21 we commenced a review of our supply chain to ensure ATSI suppliers are represented in our procurement and sourcing partnerships. We believe in increasing economic

equity and supporting self-determination by providing meaningful opportunities and fostering strong and respectful relationships with our ATSI communities.

In FY21, we also began a review of our supply chains to ensure our partnerships include suppliers which are disability-inclusive organisations, employ people with disability, and design their products and services for customers with disability.

How Pacific National will deliver on future commitments

In FY22, we will undertake analysis to further understand the impact of our regional spend, helping to guide future investment in the communities in which we operate. This will tie into the development of our regional procurement planning, with the intention of increasing the proportion of our procurement with local businesses throughout regional Australia. Through the development of our Pacific National community engagement strategy, we will identify and develop long-term partnership opportunities with these organisations to build a sustainable legacy.

Pacific National will focus efforts in FY22 and beyond on incorporating sustainability criteria into our procurement processes. In FY22 we will review our current procurement standards to identify gaps and opportunities where we can incorporate ESG and sustainable procurement criteria and principles. Beyond FY22, we plan to embed sustainability criteria to inform the screening, selection and purchase of goods and services across our supply chains.

We are committed to strengthening our relationship with our ATSI community, including through the launch and implementation of the Pacific National RAP in FY22. Our RAP will guide our advocacy for our existing ATSI employees, and their communities, with a focus on awareness and development of employment and business opportunities with Pacific National for ATSI peoples in all occupations, levels, and locations throughout Australia.



Being an actor in the transition

Pacific National is committed to being an actor in the low carbon economy transition. We will support initiatives to transform and decarbonise the rail sector and overall supply chain, both through advocacy and direct involvement. We are committed to driving a modal shift to rail freight to both grow our business and to transport the materials and commodities essential to the success of Australia's low carbon future.

Progress we have made to deliver on our commitments

Rail freight produces up to 16 times less carbon pollution than road per tonne kilometre travelled, and rail accident costs are up to 14 times lower than road for every tonne kilometre of freight moved. Pacific National is committed to growing rail's strategic role in freight transport across Australia.¹

With the potential to drive both near-term and long-term value, our 'Road to Rail' initiative is a key long-term strategy for Pacific National. This initiative envisages the sustainable growth of our business while also promoting the potential for reduction in overall emissions, shifting the transport of freight from higher intensity road transport to less intensive rail haulage.

This modal shift requires a deep understanding of the Australian freight supply chain, and our customers' needs. Through an extensive body of work aimed at understanding various customer segments and their needs, Pacific National has built an in-depth understanding of the drivers of modal choice, which in turn has allowed us to develop products and services which better fulfil those requirements. By using new information from the Road to Rail program and adopting a customer focused approach, our aim is to make rail more attractive as a sustainable modal choice.

As Pacific National and our customers direct more freight from road to rail transport, as part of our drive for a modal shift, our analysis indicates that Pacific National's own emissions may increase in the short-term (when measured

at the company level). This is largely attributable to the higher emissions intensity of intermodal and bulk freight movements, as compared to coal haulage movements. Nonetheless, we are confident that this modal shift will deliver a net benefit to Australia's low carbon future, when measured at a national level. There are material sustainability advantages inherent to rail transportation and we are committed to utilising those advantages to drive enduring prosperity for Pacific National, our customers, our work force and the communities in which we operate.

Monitoring of emissions will continue to be a focus for Pacific National in future reporting periods – it is key to our commitment to decarbonise our operations through a sustainable approach to operational resilience. As part of this, we expect to track our emissions at an individual business unit level, in order to look-through some of the volatility caused by shifts in haulage mix as described above. Our drive for a reduction in Pacific National's direct emissions longer-term is detailed further in a subsequent section of this report, "Decarbonising our operations and building climate resilience".

How Pacific National will deliver on future commitments

To promote the overall environmental benefits of a modal shift from road transport to rail haulage, and to assist our customers to better understand their total emissions impact, Pacific National is developing an indicative emissions calculator. Our calculator will provide customers an estimate of their potential scope 3 emissions whilst demonstrating to them the added social, environmental and safety benefits of moving freight from their road providers onto rail with Pacific National.

Combined with this, we are developing internal reporting and data capture systems to report on specific customer actual scope 3 emissions. We believe that by working closely together with our customers we can transform our industry and move freight from road to positively impact net overall emissions.



Advocacy and industry bodies

As a leading proponent of rail freight within Australia, Pacific National plays an active role in industry bodies and in government policy forums. We can, and should, promote the inherent benefits provided by rail freight operations, and ensure ongoing strategic government investment and policy support for the sector. We will continue to offer service benefits that promote the advantages of rail haulage, from an ESG perspective, over road.

Pacific National is a key member of the following industry associations:

- Freight on Rail Group (**FORG**) of Australia
- Rail Industry Safety and Standards Board (**RISSB**)
- TrackSafe Foundation
- Business Council of Australia (**BCA**)

Freight on Rail Group

FORG is a rail freight industry group comprised of nine of Australia's leading rail businesses. Established in 2015 to engage with government and key stakeholders on major public policy issues affecting our sector, its objective is to ensure the right policy and regulatory settings are in place to enable our industry to deliver positive social, economic, and environmental outcomes for our customers, communities and employees.

FORG has been a key industry advocate for implementation of the ATMS on the nation's interstate rail network. ATMS is home-grown, state-of-the-art technology developed by the ARTC and its technology partner Lockheed Martin, which is already operating successfully on the Port Augusta to Whyalla route. The initial \$70 million investment

for development of ATMS was jointly funded by the Australian Government and ARTC. The Australia Government is investing a further \$220 million for the next phase in the deployment of ATMS. When implemented more widely, it will greatly enhance both the safety and productivity of Australian rail freight operations.

As a FORG representative, Pacific National is a member of a steering group chaired by the Australasian Centre for Rail Innovation to examine the productivity of the nation's rail freight sector.

Rail Industry Safety and Standards Board

RISSB is the Australian rail industry's partner in co-regulation. Pacific National is a Class 1 member and sits on the Board of RISSB.

RISSB drives national harmonisation and interoperability in the rail industry, and by working with other operators and industry specialists RISSB plays a key role in industry advocacy, focusing on:

- standards, codes of practice, guidelines and rules
- safety data and risk analysis models
- training and advice
- industry co-ordination

Business Council of Australia

The BCA brings together the expertise of Australia's leading chief executives and representatives from their companies to shape public policy, supporting economic growth and social progress for the benefit of all Australians. BCA advice and participation is sought for significant national economic discussions and forums.

1. Deloitte Access Economics (2020). Value of Rail 2020 – The rail industry's contribution to a strong economy and vibrant communities. Australasian Railway Association. Available at: <https://ara.net.au/wp-content/uploads/REPORT-ValueofRail2020-1.pdf>

FUTUREPROOFING OUR SERVICES

OUR COMMITMENT

As the economy transitions to a lower carbon future, we are committed to delivering long-term sustainability and operational resilience. .



Servicing our customers' needs

As Australia's largest private rail freight operator transporting containerised freight and bulk commodities across Australia, we provide an essential service required for the growth and health of the national economy.

Our customers represent a diverse range of industries and organisations, from the energy and resources sector, to multinational freight-forwarding corporations, industrial manufacturing, and agricultural companies – all with unique transport and logistics needs. Pacific National's goal with each of our customers is to deliver exceptional service. We are a customer focused business and have a strong desire to understand their needs.

Engagement with our customers is central to us delivering what matters – only by consistent and constructive engagement can we better understand our customers' risks, opportunities, and priorities. Our aspiration is to develop meaningful connections with Pacific National's customers with mutually beneficial outcomes, ensuring that we sustainably grow our businesses together.

Our vision is to be Australia's most trusted and respected logistics partner and a leading example of the rail industry's role in the transition to a low carbon future. We are committed to delivering what matters to our customers with an excellent level of service which is safe, reliable and efficient and we strive to be the first choice for our customers' transport requirements.

Progress we have made to deliver on our commitments

Pacific National has worked around the clock to help keep Australia's national supply chain moving during the coronavirus pandemic. We have increased our services across all intermodal (containerised freight) routes and improved utilisation of our train services by ensuring booking commitments are kept. As a result, the average monthly volumes across our intermodal network are up by almost 15 percent, compared to pre-pandemic levels, with Pacific National effectively operating at peak capacity for the last year.

As we enter the 2021 traditional peak season for interstate rail freight operations, we have introduced innovative changes to our booking system; notably with the introduction of AdvancePriority and StandardReserve. These new booking products are designed to ensure scarce capacity is appropriately allocated, thereby helping to enable access to rail freight services for new or lower volume customers.

How Pacific National will deliver on future commitments

We recognise demand from our customers for bookings on our containerised services is higher than current supply. This is due to a strong shift from road to rail driven by COVID related cross border travel challenges.

On that basis, Pacific National is introducing additional capacity to provide certainty to our customers now and into the future. We expect to increase total containerised freight capacity by up to 10 percent by March 2022 and an additional five percent by September 2022.

In total, Pacific National will increase its capacity for container movements on rail by more than a third, compared to pre-pandemic levels, in less than three years. We are also committed to further increasing containerised freight capacity by adding an additional 25 percent within the next four years. This represents a significant commitment of capital and resources to continue the growth of freight on rail to deliver reliability and further meet the demands of our customers.

We are committed to growing our capabilities with our customers and the national economy.



Decarbonising our operations and building climate resilience

At Pacific National we recognise the need to adapt to the global energy transition and are committed to understanding the risks and opportunities associated with climate change. Further understanding our exposure will enable us to develop our operational resilience and commit to working to reduce our overall emissions and enable reduction of emissions within the broader supply chain.

Progress we have made to deliver on these commitments

At Pacific National we proactively explore proven technological innovations and advancements in cleaner technology to curb emissions. We aim to provide more efficient and sustainable transport solutions for our business, our customers, our communities and for the environment.

Investment in new fuel efficient locomotives

Pacific National has a strong focus on improving the efficiency of its locomotives and its environmental performance. This strategy is supported by the inclusion of 50 new locomotives which will reduce emissions and operating costs, whilst also improving productivity, reliability and availability. The design, manufacture and supply of 50 new C44 Evolution locomotives into our fleet over the next 5 years for approximately AUD\$297 million, is a significant step in transitioning to a lower carbon future. The new C44 locomotives will meet the RISSB Code of Practice requirement for new locomotives, and will produce 9% fewer carbon emissions per annum than the current NR Class locomotive typically utilised in Pacific National's intermodal operations. This equates to a reduction of approximately 300 tonnes of carbon emission per locomotive per annum (a total of 15,000 tonnes per annum in FY28 when all 50 locomotives are delivered).

The new fleet of C44 locomotives not only offers reduced carbon emissions but provides fuel and maintenance interoperability with our current fleet. This provides Pacific National with increased flexibility for technology add-ons as they become available into the future – building our resilience and future-proofing our business.

Pacific National's investment into these locomotives will introduce the most technologically advanced, fuel efficient, and environmentally compatible diesel electric locomotives in Australia. This is a central element of our locomotive fleet strategy and directly aligns with our ESG Strategy. It will assist Pacific National in increasing service reliability, reducing fuel consumption and emissions while increasing our ability to respond to growing demand for rail freight as we move more customers and freight from road to rail.



Engineering and technology initiatives

To support ongoing work into calculating Pacific National's scope 3 emissions, we are engaging with suppliers to determine the carbon impact of locomotives, wagons, and other major capital goods. We also remain actively interested in the ongoing development of new locomotive fuel technologies which in the future may allow Pacific National to decarbonise our haulage operations more rapidly.

Other engineering and technology initiatives which we continue to invest in to develop our operational resilience include:

- smart cruise control that optimises the use of throttle and braking during operation
- new wheel seal designs that have a lower coefficient of friction leading to improved fuel efficiency outcomes across our fleet
- remote monitoring of driving behaviours that has automated trigger points to highlight inefficient practises delivering efficiencies over time
- maximising the length of the trains and distributing the power evenly along the wagons to deliver greater fuel efficiencies through optimisation of power.

Figure 3: FY21 scope 1 & 2 emissions

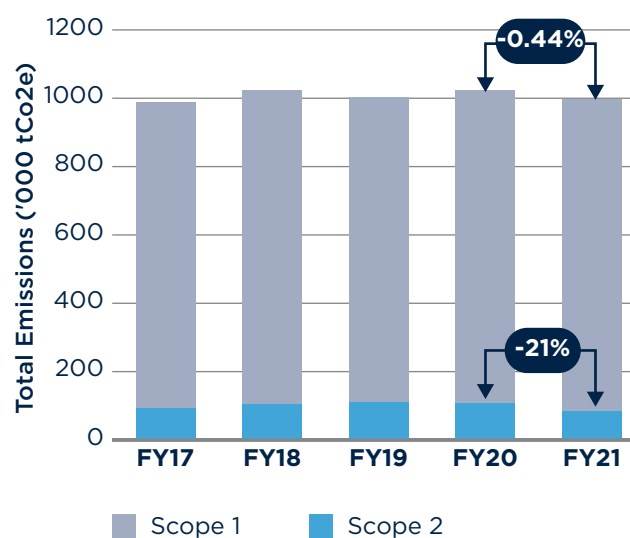
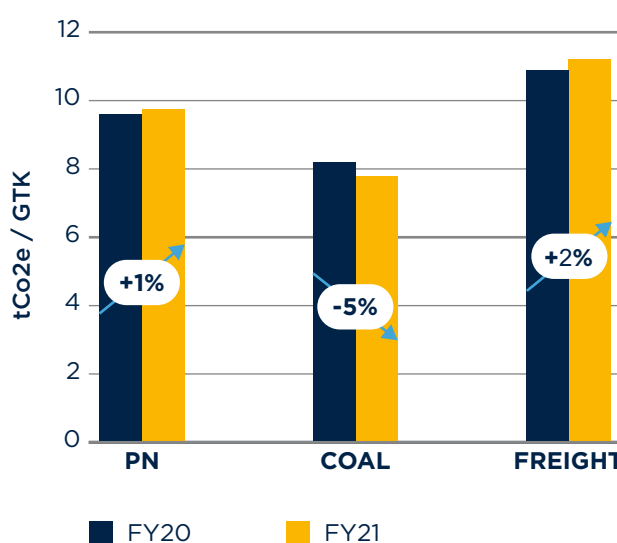


Figure 4: Emissions Intensity (tCo2e / GTK)



Monitoring our emissions

Pacific National's business activities fall within the scope of the Australian Government's Safeguard Mechanism legislation. This regulation requires facilities whose direct emissions exceed 100,000 tCO₂e per year to keep their emissions at or below a baseline level approved by the Clean Energy Regulator. From FY21, Pacific National's current scope 1 emissions baseline is set at 967,777 tCO₂-e adjusted from 968,119 after the National Greenhouse and Energy Reporting Regulations incorporated updated values for Global Warming Potentials of greenhouse gases based on the findings of the Intergovernmental Panel on Climate Change's (IPCC) Fifth Assessment Report. Since its introduction in 2016, Pacific National has not exceeded its regulatory scope 1 baseline.

FY21 saw a marginal decrease in scope 1 emissions from FY20. Scope 2 emissions decreased by 21% from FY20 – driven predominately by a decrease in electricity consumption by the fleet operating on the electrified coal rail network of Central Queensland.

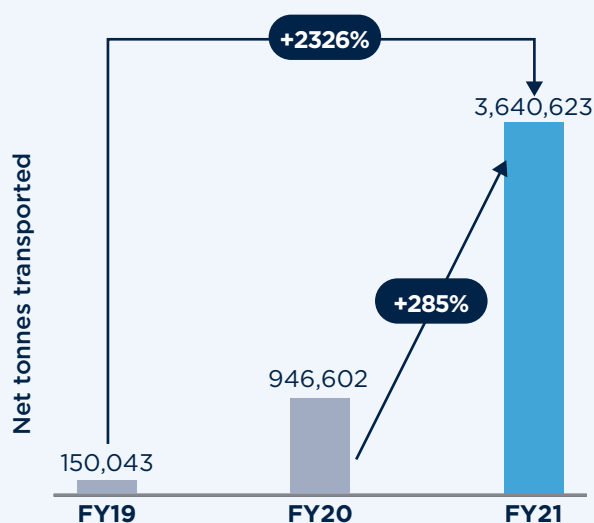
This was reflected in an overall decline in GTK results across that network by 14% from FY20.

Total GTK emission intensity increased marginally from FY20 to FY21 by 1%. Freight GTK emissions intensity was the main contributor to this marginal increase, with a 2% increase year on year. Coal GTK emissions have seen a decrease on FY20 by 5%.

Impact of grain

The bulk cereal grains season has witnessed a dramatic increase in FY21, following two prior years of drought. Noticeably there was a 285% increase in net tonnes transported from FY20 to FY21 but with a decrease in bulk GTK intensity of 4% on FY20.

Despite the exponential growth bought on from a bumper season in FY20 from FY19 – we witnessed an increase of 9% in bulk GTK intensity terms. There are other social benefits to ensuring that we move these commodities by rail rather than road – a decrease in regional local road congestion, leading to greater safety outcomes for our communities, and an overall emission reduction.



How Pacific National will deliver on future commitments

To support our commitment to decarbonise the rail sector, we will develop a strategy focusing on innovation and technology for emissions reductions. Beyond FY22 we will utilise the insights from our research and development actions to map our technology innovations. This will enable us to prioritise key initiatives for long-term future emissions reductions and benefits within the rail sector.

As the world energy mix transitions away from thermal coal and towards alternative lower emissions energy sources, we will further refine our growth strategy with greater emphasis on alternative minerals and commodities.

Recognising the need to better understand our exposure to the risks and opportunities associated with climate change, in FY22 we will conduct a gap analysis against the Taskforce on Climate-related Financial Disclosures (TCFD) and carry out a preliminary assessment of our climate-related risks and opportunities. This will enable us to identify opportunities for further analysis and greater alignment with the TCFD for future disclosures.

We will continue work on emissions forecasting and climate scenario analysis to gain a deeper understanding of current and future physical risks. From this we can start systematically embedding climate considerations in our design, planning, and maintenance decisions.

Trip Optimizer

In 2020, Pacific National commenced trials of Trip Optimizer (TO), a driver assist software product. We installed TO on 15 NR class locomotives operating on selected services between Perth and Kalgoorlie in Western Australia, and between Adelaide and Spencer Junction in South Australia. TO considers route terrain, speed restrictions, train make-up including the type of locomotive and wagons, and general operating conditions, to continuously calculate the optimal speed for a train consist on a given route. Optimal speed and handling optimise fuel efficiency via throttle control and dynamic braking.

Initial indications from these trials suggest a fuel saving of approximately 6% across our intermodal corridors once the implementation phase is completed. Pacific National has plans to install TO technology on 103 NR class locomotives over the next 3 years, as well as provide training to over 570 drivers with the system fully implemented by the end of 2024. All new locomotives purchased by Pacific National will have similar capabilities installed. Other locomotive classes within the wider Pacific National fleet will be assessed for compatibility in the coming years.

Alternative fuels and energy sources

Pacific National is committed to investigating alternate fuel sources for our business, with assistance from industry leading experts. In FY22 we will continue to explore the potential for Pacific National to employ known alternative fuels including but not limited to electric, hydrogen and hybrid options.

Beyond FY22, we also aim to develop an energy efficiency program designed to implement alternate energy sources across terminal and maintenance assets. We will continue to optimise operational practices that deliver fuel efficiencies and lower emissions, including route and locomotive optimisation analysis. Our objective will be to establish a model for energy efficient terminal solutions that can be replicated in new and existing operations – going towards future-proofing our business.

ESG DASHBOARD

1.1 Caring for our People	Unit	FY21	FY20	FY19	GRI Standard	SASB
Health and Safety						
Number of fatalities as a result of a work-related event/injury	#	-	1	-	GRI 403-9 a	
Number of Potential Level 1 and 2 incidents (significant incidents count including Non PN controlled events)	#	35	31	33		TR-RA-50a.1.
SPAD (Signal Passed at Danger) Events	#	50	69	71		
Recordable Injury Frequency Rate	RIFR (Actual)	3.6	3.5	4.6	GRI 303-9	TR-RA-320a.1
Number of recordable work-related injuries	#	27	27	35	GRI 403-9 a	TR-RA-50a.1.
Total employee hours worked (contractors & employees)	hours	7,431,175	7,773,516	7,707,276		
Inclusion and Diversity						
Full time equivalent employees	#	3,249	3,314	3,216		
Regional workforce representation	%	59	58	61	GRI 405-1 b	
Women representation						
Women represented in the workforce	%	13	12	12	GRI 405-1 b	
Women represented on the Board	%	11	11	11	GRI 405-1 a, b	
Women represented in Executive leadership	%	20	17	33	GRI 405-1 a, b	
Women represented in Manager positions	%	18	13	17	GRI 405-1 a, b	
% of new recruits of Aboriginal or Torres Strait Islander origin	%	1.5	Not Available	Not Available		

1.1 Caring for our People	Unit	FY21	FY20	FY19	GRI Standard	SASB
Leadership Team						
Under 30 years old	% of total body	2	2	2	GRI 405-1 b	
30-50 years old	% of total body	63	60	58	GRI 405-1 b	
Over 50 years old	% of total body	35	38	39	GRI 405-1 b	
Workforce						
Under 30 years old	% of total body	7	7	7	GRI 405-1 b	
30-50 years old	% of total body	52	53	50	GRI 405-1 b	
Over 50 years old	% of total body	41	40	43	GRI 405-1 b	
Employee turnover	%	12.6	10.8	Not Available		

1.2 Minimising our environmental impact	Unit	FY21	FY20	FY19	GRI Standard	SASB
Total GHG Emissions	tCo2e	997,462	1,024,119	1,004,413	GRI 305-1 / 305 -2	
Scope 1	tCo2e	912,770	916,821	895,146	GRI 305-1	TR-RA-01
Scope 2	tCo2e	84,692	107,298	109,267	GRI 305-2	
Emissions Intensity	tCo2e/ GTK	9.7	9.6	9.2	GRI 305-4	
Freight	tCo2e/ GTK	11.2	10.9	10.4	GRI 305-4	
Coal	tCo2e/ GTK	7.8	8.2	8.0	GRI 305-4	
Effluents and waste						
Total non-hazardous waste generated	Metric tonnes	3,509	2,613	-	GRI 306-2	
Total hazardous waste generated	Metric tonnes	2,472	-	-	GRI 306-2	
Disposal methods						
Sent to landfill (non-hazardous)	Metric tonnes	2,291	1,801	-	GRI 306-2	
Recycled	Metric tonnes	1,217	812	-	GRI 306-2	
Incinerated/treated/landfilled (hazardous)	Metric tonnes	2,472	-	-	GRI 306-2	
Water						
Water consumption	Thousand litres	233	246	248	GRI 303-5	
Complaints						
Community complaints	#	252	223	220		

GLOSSARY

ARTC	Australian Rail Track Corporation
ATMS	Advance Train Management System
ATSI	Aboriginal and Torres Strait Islander
B@TB	Brilliant at the Basics
BCA	Business Council of Australia
CCV	Critical Control Verifications
ESG	Environment, Social and Governance
FORG	Freight on Rail Group
GHG	Greenhouse gas
GRI	Global Reporting Initiative
GTK	Gross Tonne Kilometres
HSE	Health, Safety and Environment
Inland Rail	The Inland Rail is the 1,700km freight rail project that will connect Melbourne and Brisbane through regional Victoria, New South Wales and Queensland.
I&D	Inclusion and Diversity
NTK	Net Tonne Kilometres
RAP	Reconciliation Action Plan
RIFR	Recordable injury frequency rate
RIM	Rail infrastructure managers
RISSB	Rail Industry Safety and Standards Board
RSO	Rollingstock operators
TCFD	Taskforce on Climate-related Financial Disclosures
UNSDG	United Nations Sustainable Development Goals





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